

**IN THE UNITED STATES DISTRICT COURT  
FOR THE MIDDLE DISTRICT OF ALABAMA  
EASTERN DIVISION**

<b>GEORGE D. McCARLEY,</b>	)	
	)	
<b>Plaintiff,</b>	)	
	)	<b>Civil Action No. 3:06-cv-00091-MEF</b>
<b>v.</b>	)	<b>Lead Case</b>
	)	
<b>HOUSEHOLD FINANCE</b>	)	
<b>CORPORATION III, et al.,</b>	)	
	)	
<b>Defendants.</b>	)	

**APPENDIX OF EVIDENCE IN SUPPORT OF DEFENDANTS'  
BRIEF IN SUPPORT OF ITS MOTION FOR SUMMARY**

1. Affidavit of Dana J. St.Clair-Hougham;
  - a. Letter from Household Financial Services to the Alabama Attorney General's Office, dated February 8, 2001;
  - b. Letter from Household Financial Services to the Alabama Attorney General's Office, dated March 27, 2001;
2. Letter from Mr. McCarley to the Alabama Attorney General's Office, dated January 15, 2001; and
3. Letter from Mr. McCarley to the Alabama Attorney General's Office, dated February 17, 2001.

Respectfully submitted this the 28<sup>th</sup> day of September, 2007.

/s/ George R. Parker

George R. Parker (PAR086)  
Bradley Arant Rose & White LLP  
The Alabama Center for Commerce  
401 Adams Avenue, Suite 780  
Montgomery, AL 36104  
(334) 956-7700

Attorney for Defendants  
Household Finance Corporation III,  
HSBC Finance Corporation,  
HSBC Gr. Corp.,  
Household International, Inc.,  
and HSBC Mortgage Services, Inc.

OF COUNSEL:

BRADLEY ARANT ROSE & WHITE LLP  
The Alabama Center for Commerce  
401 Adams Avenue, Suite 780  
Montgomery, AL 36104  
(334) 956-7700

**CERTIFICATE OF SERVICE**

I hereby certify that I have, on this the 28<sup>th</sup> day of September, 2007, served a correct copy of the foregoing upon the following by placing the same in the United States Mail, properly addressed and postage prepaid:

George D. McCarley  
216B Chestnut Street  
Roanoke, AL 36274

/s/ George R. Parker

OF COUNSEL

**IN THE UNITED STATES DISTRICT COURT  
FOR THE MIDDLE DISTRICT OF ALABAMA  
EASTERN DIVISION**

George D. McCARLEY,	)	
	)	
Plaintiff,	)	
	)	Civil Action No. 3:06-cv-00091-MEF
v.	)	Lead Case
	)	
HOUSEHOLD FINANCE	)	
CORPORATION III, et al.,	)	
	)	
Defendants.	)	

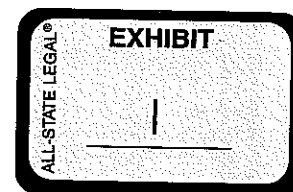
**AFFIDAVIT**

STATE OF FLORIDA	)	
	)	
HILLSBOROUGH COUNTY	)	

The undersigned, Dana J. St.Clair-Hougham, being first duly sworn, deposes and says as follows:

1. I am a Compliance Resolution Analyst for HSBC Mortgage Services, Inc. I have reviewed the records of HSBC Mortgage Services Inc. concerning George McCarley and I have personal knowledge of the matters stated herein.

2. HSBC Mortgage Services Inc. is a Delaware Corporation which was previously known as Household Financial Services, Inc. When the name of Household Financial Services, Inc. was changed to HSBC Mortgage Services Inc., there was no change in corporate form.



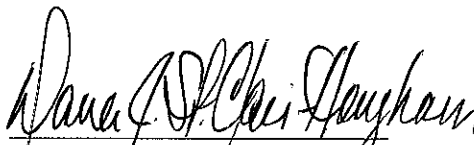
3. George D. McCarley gave the mortgage that is the subject of the above styled action dated May 1, 2000, on property located at 211 Chestnut Street, Roanoke, Alabama (the "Mortgage") to HomeSense Financial Corp. of Alabama (the "Mortgage") to secure a loan it made to him (the "Loan").

4. In June 2000, HSBC Mortgage Services Inc., whose name was then Household Financial Services, Inc., began to service the Mortgage. HSBC Mortgage Services Inc. never transferred servicing of the Mortgage to any other person, firm or corporation.

5. Attached hereto as Exhibits A and B are copies of letters dated February 8, 2001, and March 27, 2001, respectively, sent to the Office of the Attorney General of Alabama by Household Financial Services, Inc. with regard to letters written to that office by George McCarley.

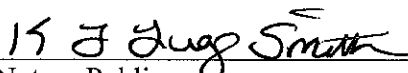
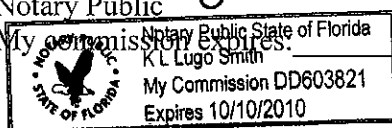
6. HSBC Finance Corporation, Household Finance Corporation III, Household International, Inc., and HSBC-GR Corp. did not make the Loan and have never serviced Mortgage.

Further affiant saith not.

  
Dana J. St. Clair-Hougham

Sworn to and subscribed before me on this the 27 day of Sept., 2007.

[NOTARIAL SEAL]

  
Notary Public  
My commission expires: 

# Exhibit A

Household Financial Services  
A Household International  
Company

Policy And Lending Support  
633 Grand Regency Boulevard  
Birmingham, FL 33510

Phone 678. 671.887  
Fax 678. 671.887

Barbara D. Armstrong  
Consumer Specialist  
Office of the Attorney General  
11 South Union Street  
Montgomery, AL 36130

**Household**

Re: George McCarley (23943)  
Household Account 2935534

Dear Ms. Armstrong:

Thank you for your correspondence dated 31-January-01 regarding a complaint filed with your office by George McCarley.

Upon review of Mr. McCarley's complaint we believe the following clarifications are in order.

- Household Financial Services (HFS) is the trade name for a mortgage servicing operation which services loans for a number of entities, including Household Finance Corporation of Alabama. HFS is not a loan originator.
- Loans serviced by HFS are primarily purchased on the secondary market. Please note that Mr. McCarley's original lender was HomeSense Financial Corp. of Alabama. Mr. McCarley's account transferred to HFS in June 2000.
- HFS maintains a telesales group that can assist existing customers in refinancing accounts currently serviced by HFS.
- The telesales area may process refinances in Alabama originating under the Household Finance Corporation of Alabama license. However, Household has elected not to originate loans in Alabama through this channel.

Because of HFS's business decision to not originate Alabama loans through the telesales group, HFS directed Mr. McCarley to our Household Finance Corporation of Alabama branch in Montgomery, AL. Mr. McCarley was not amicable to this solution. Therefore purely as a customer consideration and in a good-faith effort to assist Mr. McCarley, HFS elected to allow Mr. McCarley the opportunity to pursue refinancing under the Household Finance Corporation of Alabama license through its telesales group.

Unfortunately, the loan program requested by Mr. McCarley requires verification of income and ability to repay. Mr. McCarley elected not to provide any documentation to verify income. HFS offered Mr. McCarley three alternatives;

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provide the required documentation, select a different loan program, contact a lender other than Household Finance Corporation of Alabama.

Mr. McCarley's complaint appears to infer that Mr. McCarley should receive special consideration not offered to other Alabama customers based on his status as a "politician". HFS (refinancing under the Household Finance Corporation of Alabama license) does not exempt "politicians" from the underwriting requirements of any of our loan programs. Nor is "politician" a protected class warranting any special consideration of requirements placed upon the populace as a whole. HFS therefore, believes there is no basis or merit to Mr. McCarley's complaint regarding his attempt to circumvent the normal underwriting criteria established for the loan program he selected.

Mr. McCarley's complaint indicates that HFS does not possess the ability to service his account. Please note that HFS is fully capable of servicing and enforcing all contracted terms of his existing mortgage. The origination of a new account is in no way associated with the ability to service Mr. McCarley's existing account, nor does Mr. McCarley's contract require the Lender to provide additional financing to the borrower. HFS therefore, believes there is no basis or merit to Mr. McCarley's complaint regarding HFS's ability to service his existing account.

HFS regrets that Mr. McCarley's business suffered during 2000 and that he requires additional capital for business expenses. HFS would suggest that Mr. McCarley explore the business lending options offered by local institutions that may provide business financing or contact the Small Business Administration for assistance.

Thank you for the opportunity to respond to your inquiry. Should you require any additional information, please contact me directly at 1-813-571-8731.

Sincerely,



Curt A. Cunningham  
Director - HFS Compliance

08-February-01

cc: George McCarley

1  
boc: Joe Shuler (SGR)

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00104



# **Exhibit B**

Household Financial Services  
A Household International  
Company

Household Financial Services  
5 Grand Regency Boulevard  
London, FL 33510

Fax 818. 671.8511

Barbara D. Armstrong  
Consumer Specialist  
Office of the Attorney General  
11 South Union Street  
Montgomery, AL 36130

**Household**

Re: George McCarley  
Household Account 2935534

Dear Ms. Armstrong:

Thank you for your correspondence dated 08-March-01 regarding a complaint filed with your office by George McCarley. We have reviewed our original response dated 08-February-01 issued to your office and Mr. McCarley. It is our position that a reasonable, detailed and factually accurate response was provided to Mr. McCarley's complaint in our 08-February-01 correspondence. However, in the spirit of cooperation, we are happy to issue a second correspondence for the benefit of Mr. McCarley.

Mr. McCarley's correspondence to your office dated 17-February-01 states:

*"1. His company is not licensed to write loans in the State of Alabama, yet they continue to masquerade as though they have full ability to service my mortgage."*

Household Financial Services (HFS) is the trade name for a mortgage servicing operation which services loans for a number of entities, including Household Finance Corporation of Alabama. Household Finance Corporation of Alabama is fully licensed to originate loans in the State of Alabama.

*"2. Once located, his office was provided precisely the same documentation provided the original lender in this matter. Then they continued to ask for more and more information, clearly intended to dodge or delay my request."*

Please note that the toll-free customer service number, written inquiry address and payment remittance address for HFS all appear on the Welcome Letter provided to Mr. McCarley when HFS obtained his loan contract from his original lender, HomeSense Financial Corp. of Alabama. The toll-free customer service number, written inquiry address and payment remittance address for HFS also appear on Mr. McCarley's monthly billing statement. We are unable to ascertain from Mr. McCarley's correspondence why he had difficulty in locating HFS.

Mr. McCarley's loan contract entered into with HomeSense Financial Corp. of Alabama is a fully negotiable instrument that Household purchased on the secondary market. The servicing of this contract was transferred to HFS in June of 2000. Mr. McCarley's complaint indicates that HFS does not possess the ability to service his account. Please note that HFS is fully capable of servicing and enforcing all contracted terms of his existing mortgage. The origination of a new account is in no way associated with the ability to service Mr. McCarley's existing account, nor does Mr. McCarley's contract require the Lender to provide additional financing to the borrower.

Mr. McCarley requested a refinance of his existing loan contract. HFS maintains a telesales group that can assist existing customers in refinancing accounts currently serviced by HFS. The telesales area may process refinances in Alabama originating under the Household Finance Corporation of Alabama license (MS833). As a business decision, Household has elected not to originate loans in Alabama through this channel. However, strictly as a customer courtesy, HFS elected to assist Mr. McCarley through the telesales channel.

Any request for documentation made by HFS was the result of Mr. McCarley's inquiry for additional financing and were in no way related to the servicing of his existing loan agreement. The loan program requested by Mr. McCarley requires verification of income and ability to repay. Unfortunately, Mr. McCarley elected not to provide any documentation to verify income. Household is under no obligation to offer the same loan programs that may have been offered by Mr. McCarley's previous lenders.

*"3. Once I finally located a branch office in Alabama, owned by Household, they were not able to locate my mortgage over the company computer system."*

Household Finance Corporation of Alabama maintains retail branches in the following Alabama communities: Birmingham, Dothan, Hoover, Huntsville, Mobile and, Montgomery.

These branches service those loans originated through this retail branch network. As previously stated, Mr. McCarley's loan was purchased from HomeSense Financial Corp. of Alabama and not originated at one of our Alabama locations. The staffs at these locations do not have access to account information for accounts serviced by HFS. We regret that Mr. McCarley incurred any inconvenience by contacting one of Household Finance Corporation of Alabama's retail branches, however we must reiterate that the toll-free customer service number, written inquiry address

and payment remittance address for HFS appear on Mr. McCarley's monthly billing statement.

Frankly, we are at a loss to understand Mr. McCarley's assertions. Mr. McCarley's complaint does not result from the servicing of his existing account or a request to change the conditions on that account as asserted by Mr. McCarley. It is our position that Mr. McCarley wishes to obtain additional financing through a loan program not offered or available from HFS. This in no way impinges on any right contracted for in Mr. McCarley's loan agreement currently serviced by HFS.

As HFS does not offer the loan product requested by Mr. McCarley, we recommend he pursue financing options that may better meet his needs and that may be available through other lenders.

HFS is proud to be part of a financial services organization that has been providing superior products and services to our customers for more than 128 years. It is the policy of Household to conduct its business in full compliance with the laws and regulations of every community in which it operates and to adhere to the highest ethical standards.

We trust that this additional correspondence clearly addresses Mr. McCarley's concerns. Should Mr. McCarley require additional clarification on any point addressed, we will be more than happy to respond.

Thank you for the opportunity to respond to your inquiry. Should you require any additional information, please contact me directly at 1-813-571-8731.

Sincerely,

  
Curt A. Cunningham  
Director - HFS Compliance

27-March-01

Ex. 57

Barbara Armstrong  
Consumer Problems  
Alabama Secretary of State  
11 South Union  
Montgomery, Al

January 15, 2001

Hello Ms Armstrong:

I was given you name to address this complaint.

I'm dealing with what I believe is a very serious problem with my mortgage company. HOUSEHOLD FINANCIAL SERVICES purchased my mortgage less than a year ago, from another Mortgage Company. While attempting to establish an equity loan in my home via a second mortgage or other device, I discovered this company is not chartered to write loans in Alabama.

I called your office, and someone there gave me a phone number to call in Chicago. This was to have been some consumer officer at Household Finance headquarters in Chicago. He verified that he was not able to write loans in Alabama. Following some discussion, he gave me the number of an affiliate in Florida. The affiliate confirmed they were not chartered to write loans in Alabama. However, he claimed to have some way around that problem.

We began to do what I thought were the normal things to process such a loan. Then they began to ask for more and more information. Then the requests for more and more information became endless. When they began to ask for my tax returns, I tried to explain that as a politician, I was not about to release my tax returns. They could go no further at that point.

I accuse them of some kind of a stall or of dodging the fact they can't write loans. I want to know how it is legally possible they can purchase my mortgage and then not have the ability to service that mortgage.

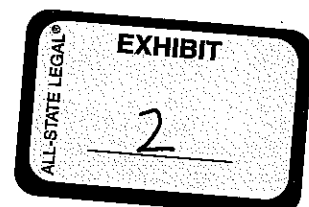
This comes at the worst possible time. 2000 was a bad year for my business. I now have a tremendous backlog of business ready to start, and I have no capital to pay expenses until I earn some revenue on that new business. That was why I needed the loan.

I find it criminally ironic and fraudulent that an out of state firm would be allowed to purchase my mortgage and then not have to provide me further business services on that loan. I don't know what the appropriate legal action is in this case. It is blatantly clear to me this practice needs to cease immediately.

Please advise!

George D. McCarley  
211 Chestnut St.  
Roanoke, Al 36274

334-863-8489



Ex. 52

Barbara D. Armstrong  
Consumer Specialist  
Office of the Attorney General  
11 South Union Street  
Montgomery, Al. 36130

February 17, 2001

Dear Ms. Armstrong:

This letter is in response to a letter sent to you by Household Finance, dated 8 Feb 01.

Upon my review of this letter, I can only comment that it seems to have been written by an individual who knows he is completely in the wrong. In fact, you will note the many statements written by Mr. Cunningham which bear no resemblance to my complaint. This is characteristic of a defense tactic called "changing the subject", or attempting to draw emphasis upon unrelated points in order to influence the reader.

My complaint is clear, and has not been responded to by Mr. Cunningham.

1. His company is not licensed to write loans in the State of Alabama, yet they continue to masquerade as though they have full ability to service my mortgage.
2. Once located, his office was provided precisely the same documentation provided the original lender in this matter. Then they continued to ask for more and more information, clearly intended to dodge or delay my request.
3. Once I finally located a branch office in Alabama, owned by Household, they were not able to locate my mortgage over the company computer system.

Ms. Armstrong, I ask that you put yourself in the shoes of a typical consumer. You need to change the conditions of your mortgage and when attempting to call the telephone number provided on the company billing statement, you are told they cannot locate your loan. Then when they finally locate the loan, you are informed they are not licensed to conduct business in your state, and cannot help you. Ms. Armstrong, do you believe the typical consumer would have the verve to call the Alabama Attorney General's office and register a complaint? I suggest the typical consumer would believe he had been robbed or scammed, and would have no idea where to turn. Even in my case—a professional with knowledge of who to call, it took several weeks and many expensive telephone calls to find an office that could even locate my mortgage and have some ability to speak to the issue. I remind you that your office did not even have a proper contact number to voice complaints to this company.

This is a very serious matter that can endanger the economic well-being of Alabama families. I'll be more than happy to provide any information your office may require, however, I hope your office can bring this matter to a proper conclusion. That conclusion can only be that a mortgage company not licensed to do business in our state **SHOULD NOT** be allowed to buy and trade mortgages in our state.

Thanks in advance for your attention to this most serious matter.

George D. McCarley

